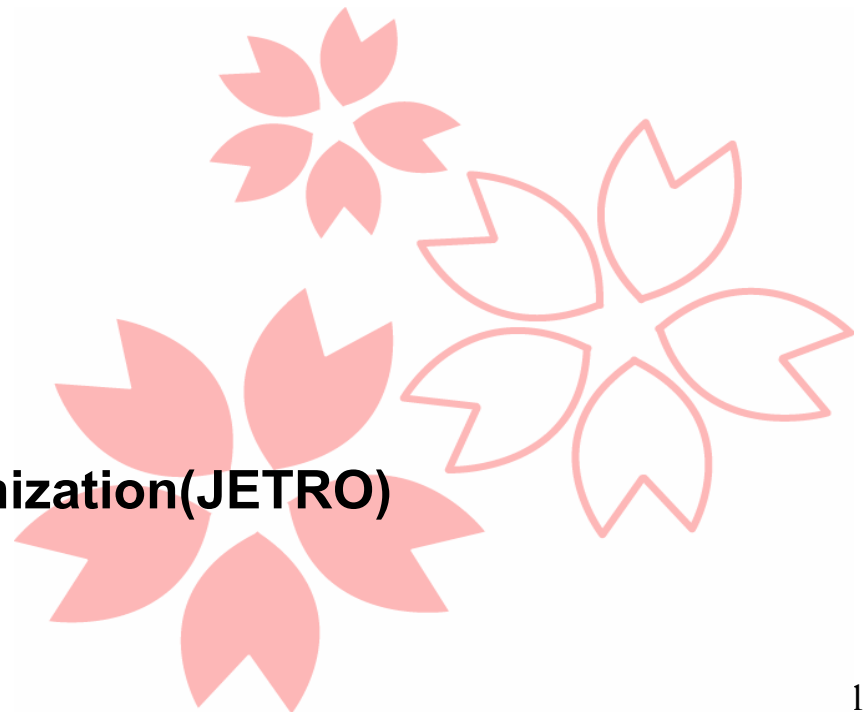


Current Situation of Economic Integration in East Asia and Japan

27th October,2005

Hiroshi TSUKAMOTO

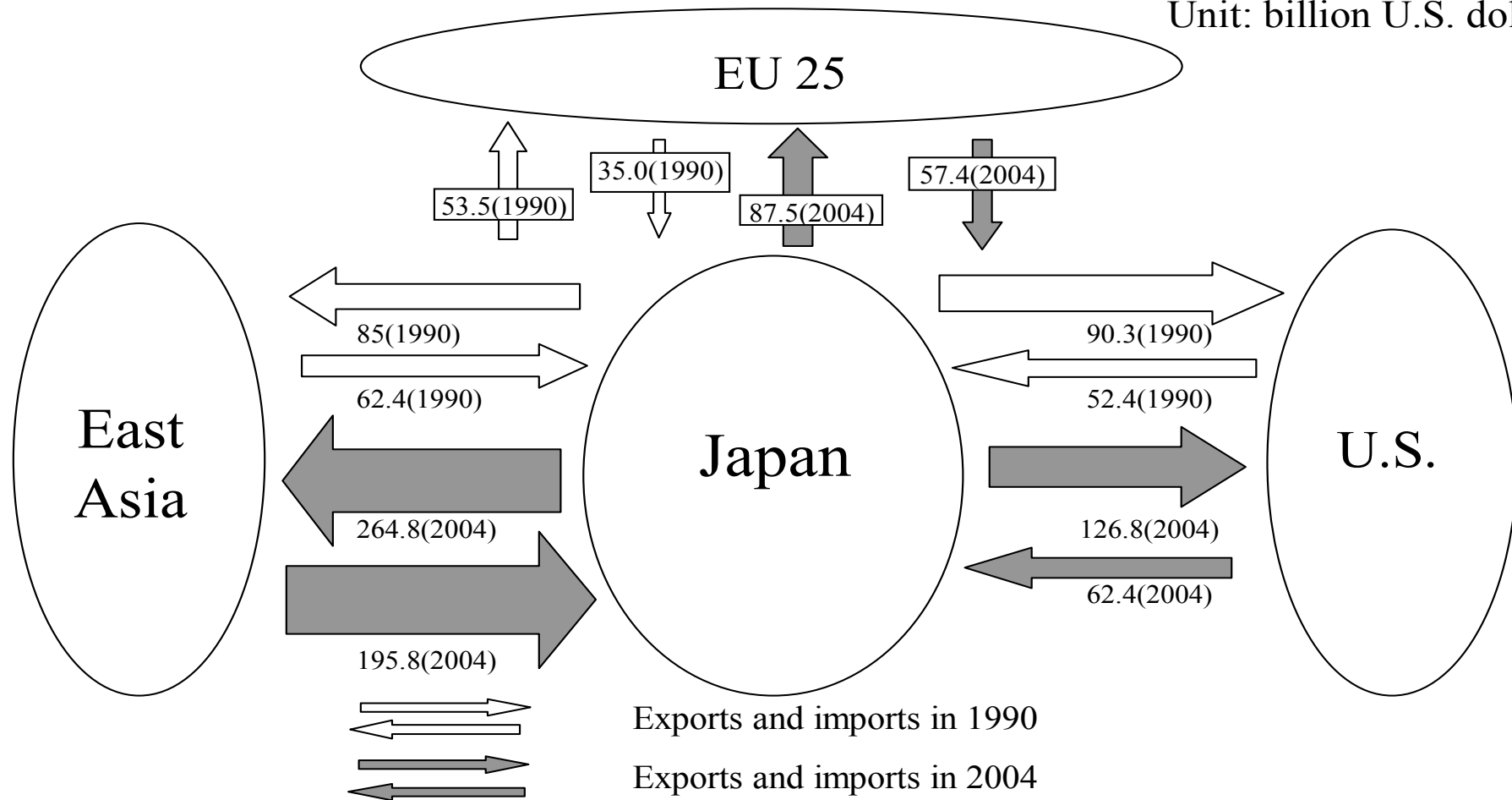
President of Japan External Trade Organization(JETRO)



East Asia's position strengthen as Japan's trade partner

Japan's Trade in 1990 and 2004 by Region

Unit: billion U.S. dollar



Source: Ministry of Finance, JETRO

FTA/EPA of East Asia Economies

Economy	Effective	Signed	Reached a broad agreement	Started negotiation
ASEAN	China			Japan, South Korea, India, Australia & NZ
Singapore	AFTA, Japan, NZ, EFTA, Australia, USA	Jordan, South Korea	Panama, Qatar, India, Trans Pacific (Burunai, Chile, NZ)	Mexico, Canada, Peru, Quwait
Indonesia				Japan
Malaysia			Japan	
Phillipines			Japan	
Tailand	Australia	Japan, NZ		Bahrain, Peru, India, USA
Hong Kong	China			NZ
Macau	China			
China	ASEAN, Hong kong, Macau			NZ, Chile, GCC (Gulf Cooperation Council)
South Korea	Chile	Singapore	EFTA	Japan, ASEAN

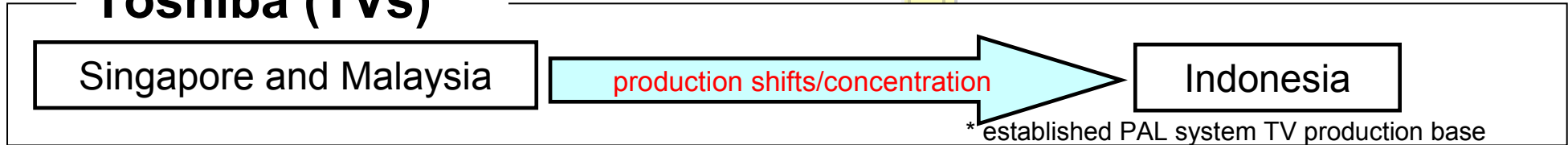
Source: Compiled by JETRO from press information and individual economies release.

FTA/EPAs involving Japan

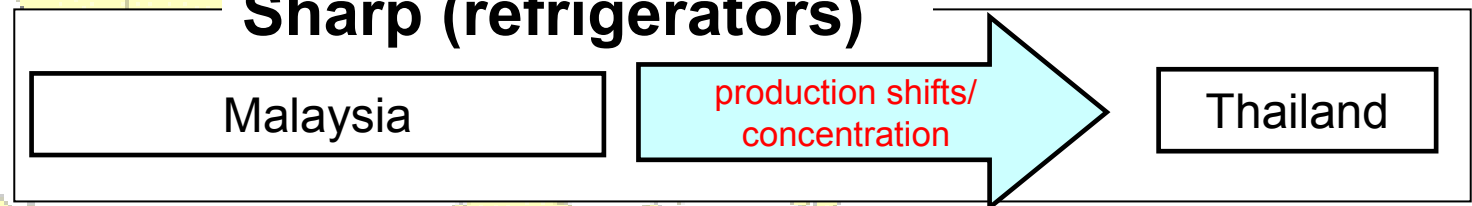
Name	Stage
Japan-Singapore Economic Partnership Agreement for a New Age Partnership	Effective as of November, 2002
Japan-Mexico Economic Partnership Agreement	Effective as of April, 2005
Japan-Philippines EPA	Reached a broad agreement in November, 2004
Japan-Malaysia EPA	Reached a broad agreement in May, 2005
Japan-Thailand EPA	Reached a broad agreement in August, 2005
Japan-Korea EPA	Started negotiation in December, 2003
Japan-ASEAN Comprehensive Economic Partnership (CEP)	Started negotiation in April, 2005
Japan-Indonesia EPA	Started negotiation in July, 2005
Japan-Chile EPA	Started industry-government-academia collaborative research in January, 2005
Japan-India EPA	Started industry-government-academia collaborative research in July, 2005
Japan-Australia EPA	Agreed to start collaborative research in April, 2005
Japan-Switzerland EPA	Agreed to start collaborative research in April, 2005
Japan-China-Korea FTA	Currently under collaborative research as of November, 2000
ASEAN+3	Agreed to hold a summit in November, 2004.

AFTA prompts Production Base Relocations & Production Line Rearrangements

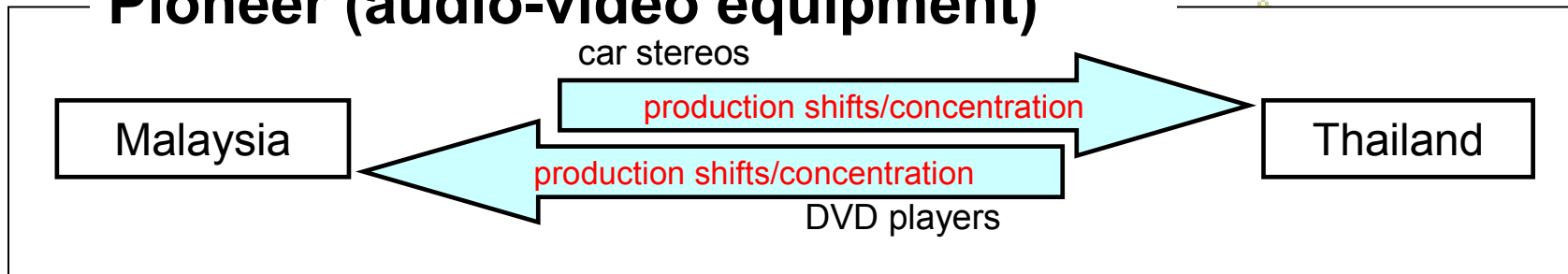
Toshiba (TVs)



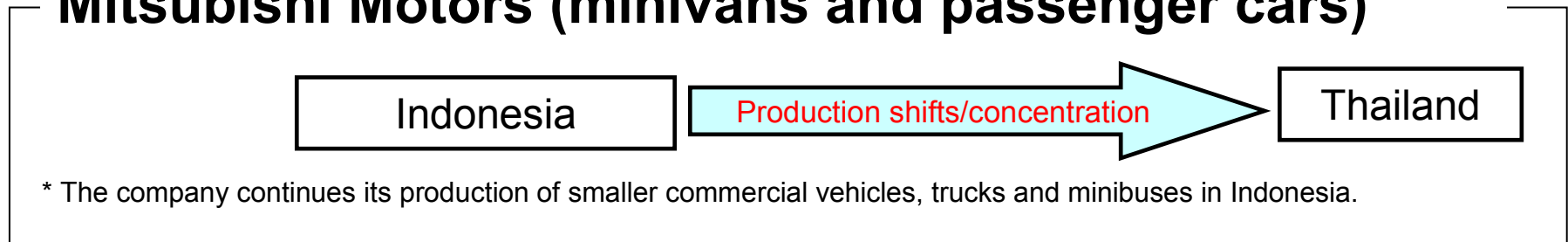
Sharp (refrigerators)



Pioneer (audio-video equipment)



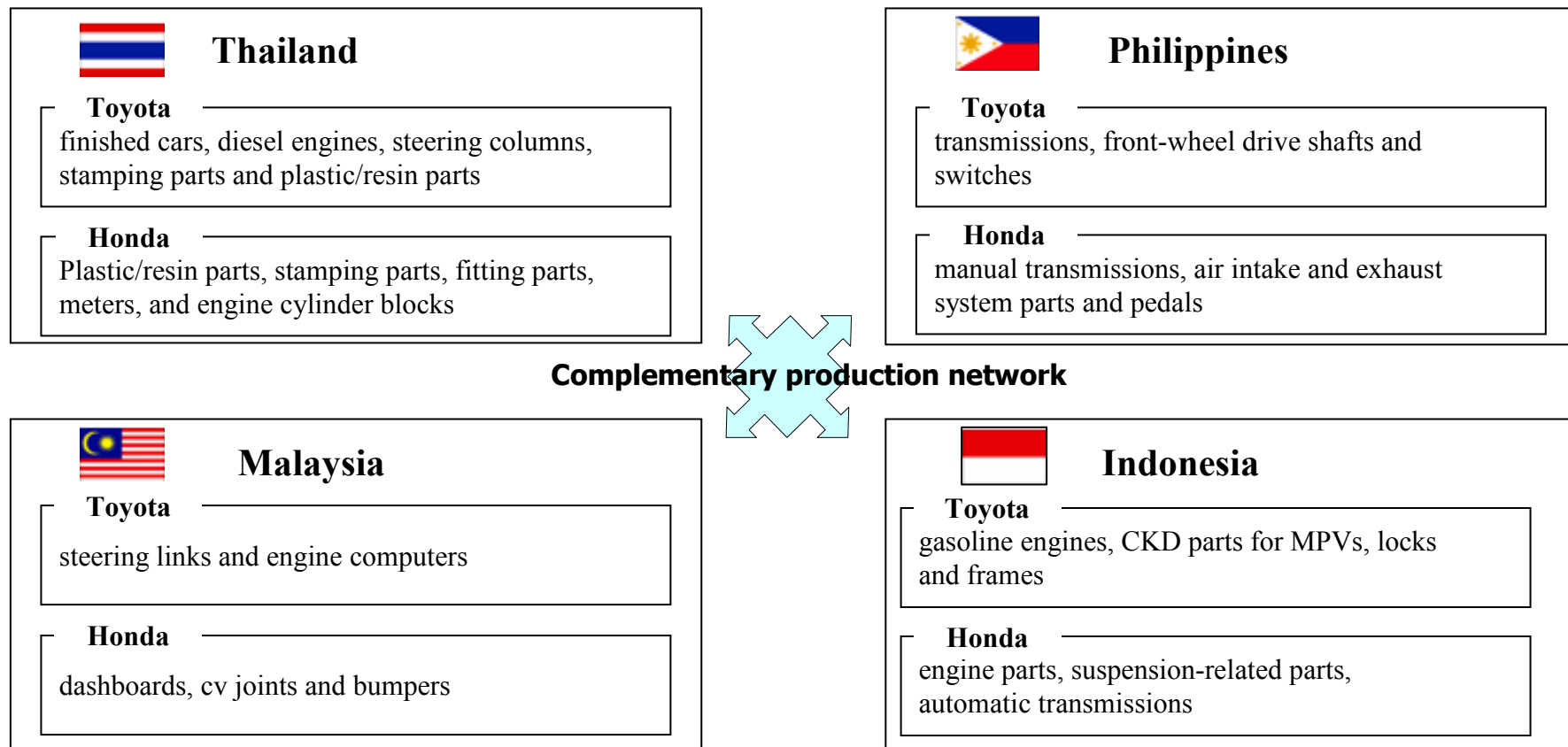
Mitsubishi Motors (minivans and passenger cars)



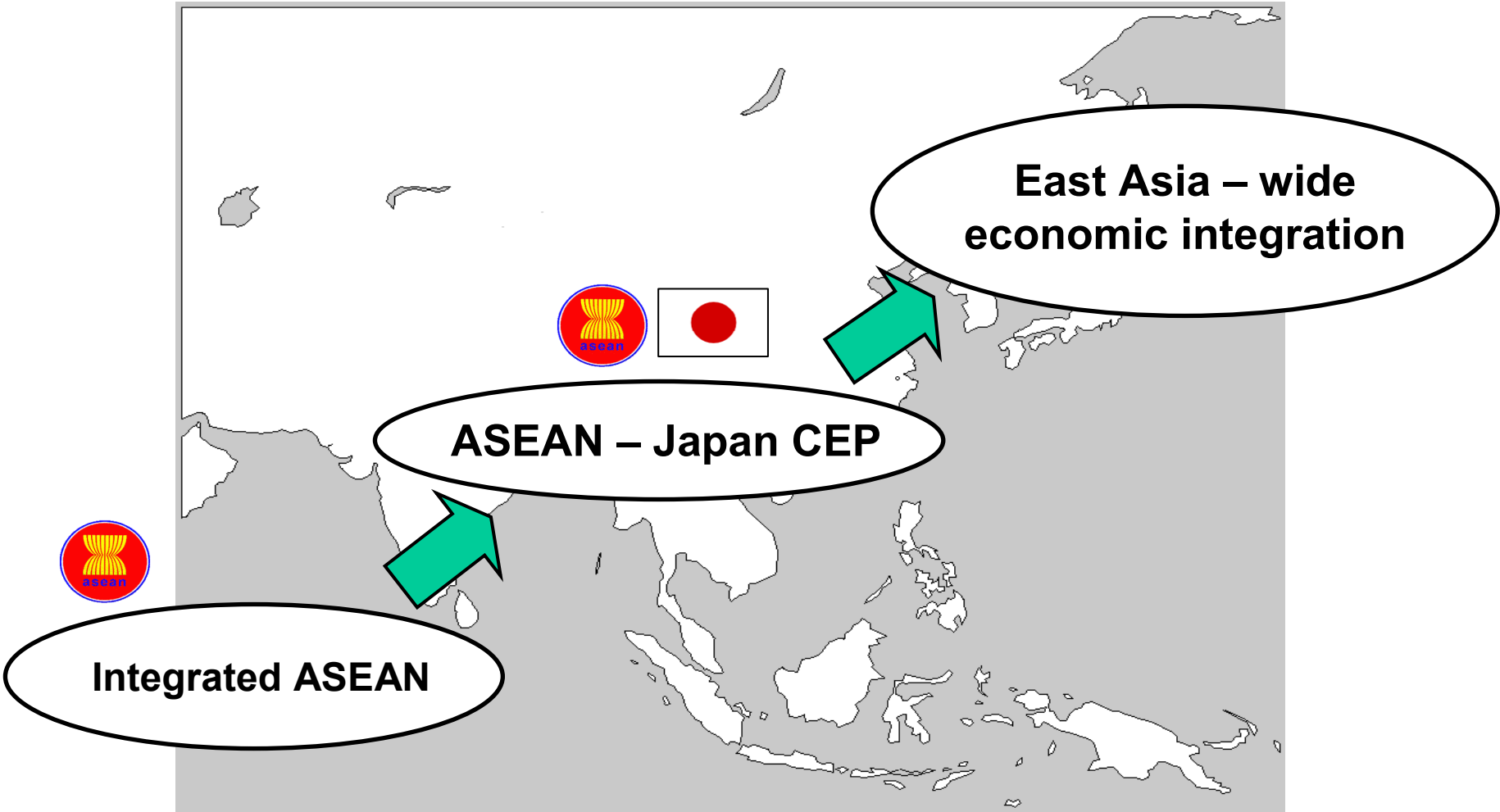
Source: compiled by JETRO from press information and interviews of individual companies

AFTA Enabled Japanese Automobile Companies in the Region to Create New Production Concentrations

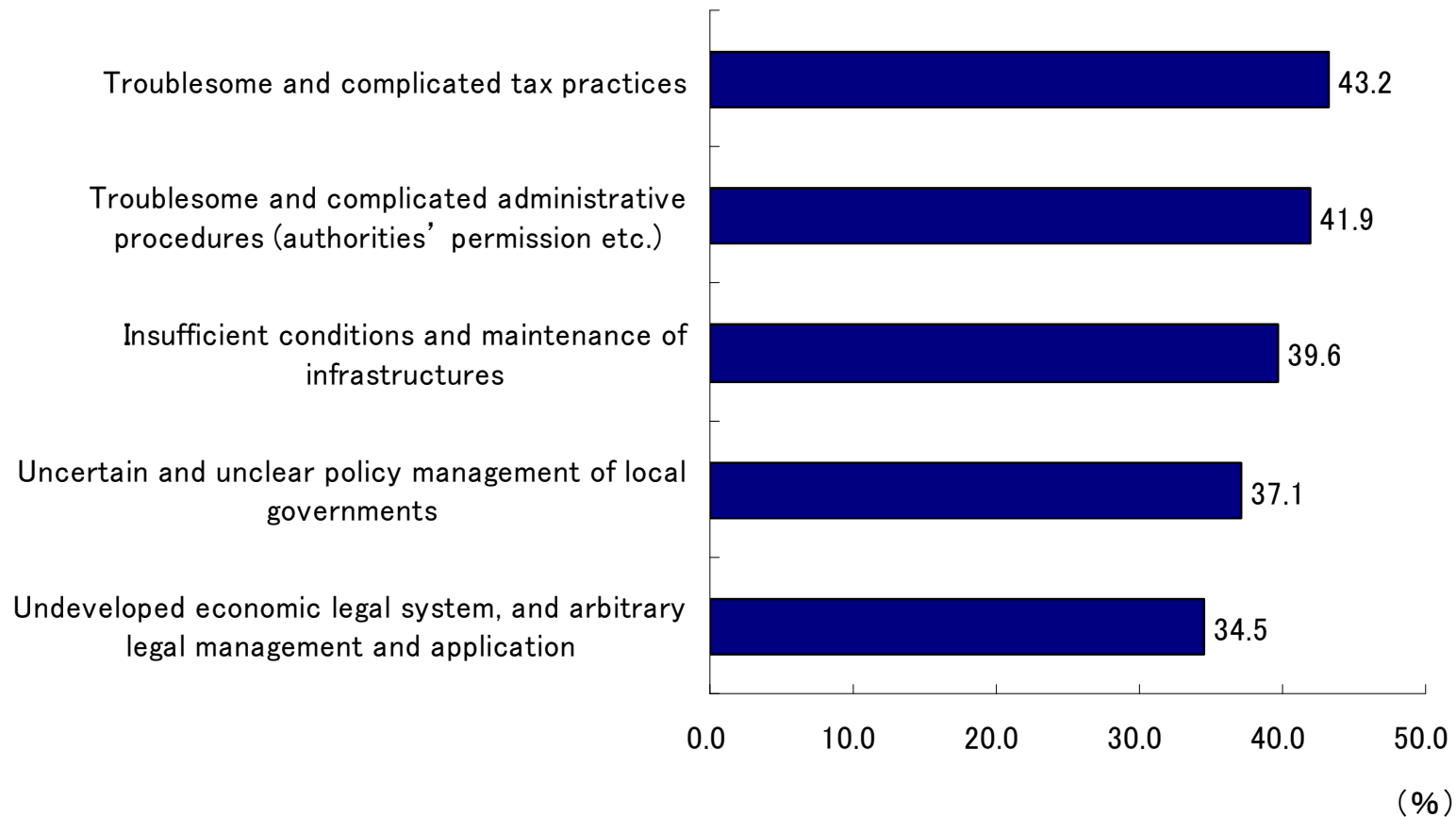
- Tariff reductions enabled firms to eliminate **redundant** investments in AFTA countries.
- Taking into account the industrial strengths and domestic demands of each AFTA country, companies are working to reorganize their regional production structure; new production and supply concentrations are thus being built across the AFTA region.



Roadmap for East Asia-wide economic integration



Problems in investment environment in ASEAN (n=790)



Source: Japanese-Affiliated Manufacturers in Asia – Survey 2004 – (JETRO)

JETRO Released 10 Recommendations for the Comprehensive Economic Partnership (CEP) between ASEAN and Japan (October 4, 2005)

- (1) Enhancing the industrial competitiveness of ASEAN through promoting partnerships with Japanese firms**
- (2) Supporting ASEAN's efforts to narrow intra-regional disparities**
- (3) Facilitating logistics services**
- (4) Cooperating in environment and energy conservation**
- (5) Harmonizing rules of origin**
- (6) Establishing transparent, simple and harmonized customs clearance procedures**
- (7) Eliminating non-tariff barriers and promoting harmonization and mutual recognition of standards and conformance**
- (8) Improving protection of intellectual property rights**
- (9) Improving business environments**
- (10) Strengthening business relationships between ASEAN and Japan, and between ASEAN and its neighboring countries**

JETRO's Project

(1) Enhancing the industrial competitiveness of ASEAN through partnerships with Japanese firms

(Automotives)

- Dispatching automotive experts to ASEAN's car parts industry
- Supporting the establishment of a professional skills certification system in the car manufacturing industry

(Electric and electronics)

- Supporting Japanese electric and electronics manufacturers in their local procurement of parts, and holding reverse exhibitions

(ICT)

- Cooperating in HRD in the ICT sector

(Agriculture and fishery)

- Holding a Japanese food fair (in Bangkok) and gathering Japanese exhibitors and visitors from ASEAN member states

(Fostering small and medium-sized enterprises (SMEs))

- Cooperating in making programs for assisting the development of SMEs in ASEAN member states, following such programs in Thailand
- Cooperating in providing business matching opportunities through JETRO's Trade Tie-up Promotion Program (TTPP) and virtual exhibitions offered through JETRO's online trade fair database, J-messe

JETRO's Projects (Continued)

(2) Supporting ASEAN's Efforts to Narrow Intra-regional Disparities

(Assistance to local industries)

- Supporting Laos in developing the country's silk product brand "Chai Lao" and in controlling the quality of silk produced in the country

(Promotion of international business activities)

- Supporting and reinforcing functions of the Secretariat of the Greater Mekong Sub-region (GMS) Business Forum - a federation of chambers of commerce and industry in the six GMS countries - based in Vientiane, Lao PDR

(Investment promotion)

- Dispatching a mission to survey investment environments in ASEAN (to promote investment in ASEAN by Japanese firms in Japan and those already operating in ASEAN)

(3) Facilitating Logistics Services

- Promoting the use of standardized returnable containers for exports
- Establishing a transportation network in GMS

(4) Cooperating in Environment and Energy Conservation

- Cooperating in introducing a "pollution control manager" system and "energy conservation manager" system
- Sharing information necessary for building a recycling-oriented society and assisting in the establishment of economic and legal systems to help shift towards such a society
- Introducing Japan's on-going actions in regards to the Clean Development Mechanism (CDM)

JETRO's Projects (Continued)

(5) Harmonizing Rules of Origin, etc.

*JETRO recommends that the “40% ASEAN content” rule (a standard already used by Japanese firms operating in ASEAN) be adopted, in particular for industrial and mining products. And regarding the administration of rules of origin, JETRO recommends that common procedures and timeframes for related process be instituted.

- Surveying rules of origin of ASEAN member states and making proposals for improvement

(6) Establishing Transparent, Simple and Harmonized Customs Clearance Procedures

- Surveying customs procedures of ASEAN member states and making proposals for improvement
- Assisting in promoting the computerization of trade-related procedures

(7) Eliminating Non-tariff Barriers and Promoting Harmonization and Mutual Recognition of Standards and Conformance

- Sharing information between ASEAN and Japan on standards and certificates and cooperating in HRD at private organizations for standardization and conformance evaluation
- Promoting ASEAN-wide use of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS)

(8) Improving Protection of Intellectual Property Rights (IPR)

- Dispatching experts to private intellectual property rights-related organizations in ASEAN
- Holding seminars and organizing activities that focus on measures against IPR infringements

JETRO's Projects (Continued)

(9) Improving Business Environments

- Surveying business environments in ASEAN (business conditions, industrial trends and investment-related costs, etc.) and disseminating survey findings
- Operating Business Support Centers (BSCs) in Bangkok, Singapore and Manila

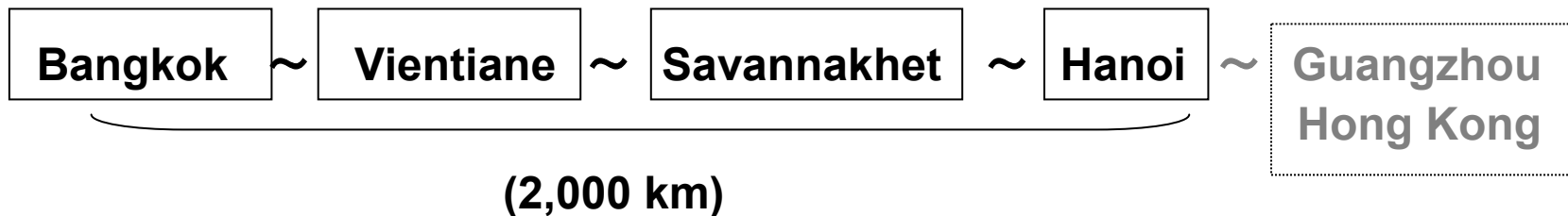
(10) Strengthening Business Relationship between ASEAN and Japan, and between ASEAN and its Neighboring Countries

- * It is necessary to work towards enhancing the economic relationship between ASEAN and China (especially in the South China region), ASEAN and India, and also ASEAN and Japan.

Project Example (1)

Facilitating logistics services

Demonstration project on land transportation in the Mekong area



<Merit>

- Reduction of delivery time (4 days)
 - * Takes 10-15 days by sea transport
 - * Expected to be further reduced to 3 days when 2nd Mekong Bridge is completed
- Laos may become logistical hub in the region

<Challenges>

- Custom clearance system undeveloped
- Lack of transshipment facility



Project Example (2)



Objective: To promote exports of the Mekong Region products to Japan and introduce each country

Target: Cambodia, Laos, Myanmar, Thailand and Vietnam

Period: Feb. 21 – 24, 2006

Venue: JETRO Exhibition Hall (Tokyo)

Number of Exhibitors: Around 30

Category of Products: Silk Products, Interior Fabrics, Wooden Furniture and Hand-made Products, Tourism, Investment Guide etc.

February 2006 is “Month for Promoting Mekong Region” in Japan.